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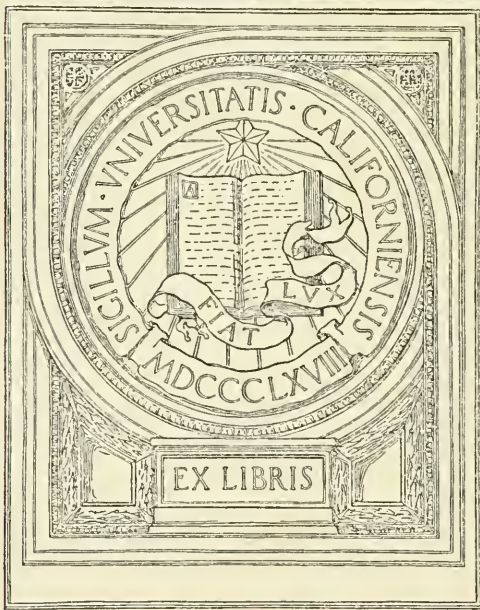
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Financial Denmark and the War

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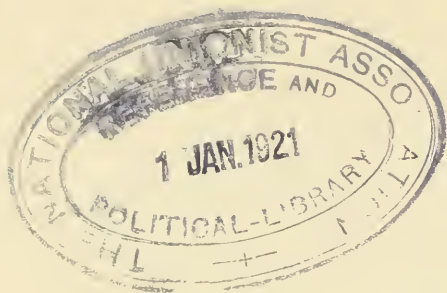
UNIVERSITY OF CALIFORNIA
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Scandinavia

Financial Denmark and the War

T. Mikkelsen & Co.
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HARDING

THE following pages were written during the first months of 1918. We trust, however, that though events move rapidly nowadays, this account will not be entirely obsolete and lacking in interest when it reaches the hands of our correspondents and friends in the Allied countries. We trust likewise that we have been able to make clear the present position of Denmark, the small country, not sufficiently known and frequently misunderstood, to which we have the honour to belong, and whose future like that of all other small nations is at stake during the present gigantic struggle.

Copenhagen, June 1918.

T. MIKKELSEN & Co.

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IT will undoubtedly be remembered that in the year 1864 Denmark was at war with Austria and Prussia, i. e. the Central Powers of today — Germany after all being only an extension of Prussia — and that Denmark in this struggle suffered a very severe defeat.

But to the material defeat was added a serious disappointment. Denmark had relied on the protection of the „London-Protocol“ of 1852 signed also by England, France and Russia and of the older treaties of 1721 by which England and France expressly guaranteed the possession of Slesvig. Denmark had been confident therefore that these powers would prevent the German assault, or, failing in this, that they would have come to her aid. But here she was disappointed. Russia contented herself with exhortations which, however, she addressed only to the party attacked — Denmark. Her reason for this conduct was to be found in her feeling of indebtedness to Prussia dating from the Polish insurrection of 1863.

During the Russian operations against the insurgents Prussia, under Bismarck's skilful leadership, had materially assisted Russia by the closing of her frontier against Poland, thereby preventing on the

one hand all imports of arms, ammunition or volunteers to the insurgents and later on in the same way preventing the departure of all fugitives of whom even the few who crossed the frontier were seized by the Prussian police and given up to the revenge of Russia.

The attitude of the governing party in Denmark stood in striking contrast to this behaviour. In this country Poland was considered as struggling for the cause of freedom, and the Danish government tried in no way to conceal the sympathies felt here, but even went so far as to lay them before the Russian Government, thus forfeiting all benevolence from that quarter for several years.

And the Western Powers likewise failed to come to the rescue. If they had acted conjointly, England and France, — even without the aid of Russia, might in 1864 have easily prevented the war, or at all events, in view of the still weak Prussian militarism, might, at proportionally small cost, have totally altered the issue of the war. But they were vacillating and undecided and so were no match for the able and energetic Bismarck who, with a master-hand, knew how to carry out his own decisions and make use of the vacillation of others.

The Western Powers remained irresolute. That much sympathy with Denmark was felt in England and France was beyond doubt. The news of the naval battle off Heligoland, which ended in a decided advantage to the Danish fleet, and which might have ended in a crushing defeat of the Austrian fleet, if it had not sheltered itself behind the neutrality of the British waters round Heligoland, was received with cheers in Parliament, but no practical result followed.

The guaranty of 1721 was left unprotected and Austria and Prussia were allowed a free hand in the violating of the Protocol of 1852 which they had signed together with England, France and Russia. The real causes of the conduct of the Western Powers in 1864 were never known in Denmark. The result was here ascribed to the whole dawdy and undecided system which was familiar to Napoleon III and to some extent to Queen Victoria's alleged personal German sympathies.

At all events Denmark was left to fight alone and the result could not for one moment be in doubt. But as was seen later on, the result of the Danish war gave rise to the Austrian war of 1866 and the French war of 1870—71 and to the formidable Prussian, now German military hegemony, and finally to the World War. That things have been allowed to develop in this fashion can have only one explanation: evidently in 1864 nobody except himself foresaw the aims of Bismarck.

The immediate result of the war in 1864 was the dismemberment of Denmark. The two German Powers took from Denmark two-fifths of her area and two fifths of her population. The spoils comprised the three duchies Slesvig, Holstein and Lauenburg. Of these Slesvig was an original Danish country where the German language to some extent had penetrated through governmental neglect of the question of nationalities. Lauenburg had come to Denmark through sale from Prussia, but had during its fifty years of Union with Denmark always felt rather content with the connection. Holstein had for more than four hundred years had its administration from Denmark and though speaking German, the inhabitants, for

more than 350 years, had been well pleased with the union with Denmark; they had — the last fifty years of the union excepted — a brotherly feeling for Denmark, fought the battles of Denmark and felt the same way as the German-speaking Alsacians feel towards France and the French.

The peace of Vienna wrung the three duchies from Denmark. The blow was stunning. And worse still was the certainty that in future we should be left alone in a still weaker condition to fight those grown more powerful. The defeat had been so decisive that all thoughts of *revanche* were given up at once and have never since won any footing in the nation. But the desire for *some* reparation, *some* redress of the wrong, has ever persisted. Only a few wished for the restitution of Holstein and Lauenburg which always had been German and which after the insurrection in 1848 desired to separate from Denmark — though certainly not to join Prussia. It was felt that they would only be what they were twenty years before the war, — embers for insurrection and pretext for foreign interference.

But Denmark and Slesvig had during the centuries acquired many connections and had many things in common, above all the Danish language. More than half the native population spoke Danish and to this day regard it as their mother tongue and cling to it with fervency. Slesvig — or as it is often called in Denmark — South Jutland, was first known to history as Danish and its annals have been the same as Denmark's for more than 1000 years. After 1864 there were many Danes who wished to have the whole of Slesvig restored: — Slesvig to the

Eider, the old millennial frontier river between Denmark and Germany, if such restitution could take place in a peaceful way. And the whole nation desired to get back the northern part of Slesvig where the Danish language is still prevalent.

A hope of restitution rose in 1866, when our two antagonists, Prussia and Austria, fell out with each other — partly over the spoil they had taken from us two years before. All agreed that war was out of the question for Denmark, but confidence was put in peaceful negotiation and was not totally frustrated, as the Treaty of Prague, in the famous Article V, stipulated that the northern part of Slesvig was to be returned to Denmark if a popular vote should show a majority in favour of the return.

The hope of restitution swelled anew in 1870. Article V of the Prague Treaty had been put in at the instigation of France and now it was France, the great nation, the old love and the new benefactor of Denmark who went to war with Prussia and her German confederates with all her might. The hope rose very high and tempting voices were heard from abroad, inviting Denmark to join France and seek reparation for 1864. But, fortunately for Denmark, the late Christian IX, the King at the time, was a soldier himself and understood the strength of Prussia. And at the same time the King's wide-spread royal relations informed him that probably France would be left to fight alone and the Russian Emperor Alexander II warned him emphatically to resist French pressure, and in this way, Denmark came safely through a situation which might easily have caused her complete ruin.

The year 1870, which proved so disastrous for

France, taught Denmark that, if she would not suffer ruin, she was bound for ever to keep apart from the quarrels of the great powers. And the lesson was learned without even having seen the dreadful fate which this present war has brought over innocent Belgium, — a fate so horrible that no one, if told of it beforehand, — would have thought possible in a world of human beings.

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After her sorrowful experience in war Denmark made her utmost to profit by peace. At the time a wave of economic prosperity went over the whole earth and no doubt helped the success of Danish finance considerably, but still there is no doubt that the progress in Denmark was due to a wise change from obsolete systems to progressive ones, a change which again devolved from energetic personal initiative. And this new force arose from an earnest desire to make good the great losses in territory through a more intensive cultivation of the soil that was left and of the minds that were still free to think and speak in the Danish tongue.

The last third of the 19th century witnessed the great evolution of Danish agriculture. Formerly the production was the crude one of wheat and other breadstuffs but now it turned more and more to cattle, animals and pigs and in this way produced a more refined, costly and consequently profitable product. Butter, bacon, meat and eggs were exported with great profit in ever increasing quantities, in the first place to England whose growing industry easily

absorbed it all and who on her side found it profitable to draw a provision of perishable food from a neighbouring country.

The progress of Danish agriculture depended, of course, on the quality of the soil and the industry, intelligence and instruction of the people, but it was materially assisted by:

- 1; The system of mortgages and other real credit.
- 2; Introduction of co-operation in production.
- 3; Introduction of co-operative associations for the import of foodstuffs and fertilizers.

*

The regulation of the real credit has for a long time been the aim of the Government in Denmark.

More than 100 years ago registers based on a new system were introduced and they have ever since been kept up to date with the most painstaking care.

In the registers every single piece of property has a specific page and every time a piece of property is divided, each new part gets its own page. In this way — and as the registers are kept in different places over the country for the surrounding district, — it is possible at any given moment by looking at the page of a property to ascertain at once all about it, be it great or small. The registers are under the supervision of the local courts.

At the page of the register the property is designated by a number, — the name of the owner is given and all encumbrances on the property are enumerated and also all the debts secured by it. Every entry refers

to another register in which are given in full all titles and other deeds affecting the property.

A transfer of the property to a third person is only valid when registered on the page of the property. All other deeds, mortgage bonds, etc., must be registered in the same way in order to be valid and when they are altered in any way or the mortgages paid off, registration of the fact is necessary. All deeds registered get a visa indicating the day and place of registration.

Through this thorough and practical system it is easy to ascertain through the register the owner of a property and what burdens and mortgages are attached to it. Conveyance as part of a lawyer's duties hardly exists in Denmark. All doubts and questions are solved at once by reference to the registers.

Finally it must be mentioned that nearly all ground is free-hold and that leases are never for more than ten or twelve years, or in the case of small farms, for life.

It is of great advantage for every one having a right over a property to be accorded full protection, be he owner or mortgagee or what. He is entitled to protection once his deed has been registered and returned with a good visa. The Registrar has the duty of going through the register every time he undertakes the registration of a document and if he finds anything that conflicts with or invalidates the right conferred, he is to make mention of this fact in his visa. So if the holder of a deed is not entitled to transfer or mortgage the property, or if a mortgage already existing has a priority over a new mortgage, or if any other fact violates the right that is up for registration, the

registrar's visa will indicate it and thereby show that the new right is not indisputable. But if the visa says no more than that registration has taken place the conclusion is that the right which the document confers is valid.

The advantages of the system are twofold: Transfer of a title to real estate is a very easy thing and the creation of fully protected mortgage bonds makes it relatively easy to obtain credits at long terms and at cheap rates. A man may then acquire property without extensive use of his capital, and so it is possible for men of small means to become owners of large properties, and when later on their capital increases they are not bound to spend it all in paying off mortgages but may employ it for the development of the property, improvement of the buildings, live-stock, machinery etc.

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Having recourse to this system of registration Denmark has developed an economic system of credit to owners of real property which since 1850 has made it possible to procure this credit in the cheapest and most convenient form by the creation of mutual credit associations.

The owner of a property applies to the credit association for a loan. The credit association then sends its experts to assess the property. The assessors report to the head-office what they think the value of the property, and the institution then grants a loan not exceeding a fixed portion of the assessed value. The owner gives his mortgage bond to the institution, and on

receiving the bond duly registered the credit institution pays to the mortgager the loan as granted. This is to say that the loan is not paid out in cash but in debentures of the lending institution. The debentures are considered a first class security and are easily sold on the stock exchange of Copenhagen where they are quoted daily and are sought for by investors.

The security of the debentures consists of all the mortgages given out by the borrowers and the responsibility of the mortgagers is even joint and mutual, so that if one or more mortgages should bring loss the others will make good the losses. Further, the debentures which are divided into series, — a series comprising the loans of say ten consecutive years, — are paid off through annual drawings by means of small instalments paid by the mortgagers, and in this way the loans to the mortgagers decrease year by year and the chance of loss grows less.

In fact only once, about 50 years ago, a credit institution of this kind for urban property had to call for extra payments from its members to make up for losses suffered, and this mutual responsibility has never affected the values of the properties. And as it is not on record that any such credit institution has ever been unable to meet the interest on its debentures, investors have full confidence in these bonds, and there is always a demand for them at satisfactory prices which correspond to the general rate of interest, always exercising a lowering influence on the discount rate.

The public get a handy, marketable investment and the borrower gets a loan on the cheapest possible and

advantageous terms. The loans are repaid on the cumulative system by equal yearly yieldings comprising interest and amortization. If, for instance, the rate of the debentures is four percent annually, the mortgagers pay four and one-half percent annually of which four percent of the debt is interest and nearly all the remainder amortization. In the case cited the debts will be wiped out in about 60 years. The costs are infinitesimal. The mortgager pays about one pro mille yearly against the costs, and this contribution leaves a surplus which the credit institutions put to reserve, or, when the reserve reaches a certain point, pay back to the mortgagers.

The system of credit described has through long use been brought to such perfection that it may be said to be the finest in the world, and its development has been so great that according to the latest available statistics Denmark in the beginning of 1917 had fourteen mutual credit associations to which were issued mortgages for about 1900 million Danish Kroner (about 105 million Pounds Sterling). Against these securities investors held debentures of about 1815 million Kroner, the difference, about 85 million, being the reserves of the institutions.

That these credit institutions have had a leading part in providing credit for the owners of real estate may be gathered from the fact that in 1909, when a new valuation for taxation purposes was undertaken, the whole amount of mortgaged credit was taken as 3200 million Danish Kroner and of this amount about 1500 million was procured by credit institutions, the remainder being derived from savings and other banks, insurance companies and private lenders.

What helped the progress of the mutual credit institutions was the fact that the fine qualities of the debentures were appreciated not only in Denmark, but also in other countries. They were sold in foreign markets in great amounts, fetching higher prices than the Danish market could afford. On the other hand they have, owing to the favourable exchanges, nearly all come back to Denmark during the present war.

To the great credit institutions based on mutuality, and which only grant loans against mortgages not exceeding the prior half of the value of the properties, are added smaller ones founded as trust companies with a capital furnished by share-holders as supplemental guarantee for the debentures. These companies grant loans at a higher ratio than half of the estimated value and consequently — the security being somewhat inferior — against a higher rate of interest.

By these different institutions a credit is provided for the owner of the land or ground which, as stated above, makes it possible for him to take over a much larger property than his own means might allow, and once an owner of property it is possible for him to develop his agricultural products both in quality and quantity. But still the owners of small farms, and these form the majority owing to the minute subdivision of the arable lands, met with difficulty in developing their holdings, just because of their small size.

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These difficulties were overcome to a very great extent when in the latter part of the eighties the co-op-

erative societies were introduced into agricultural production, and the result was a great success in the quantity and improvement of the quality of the products, above all in butter and bacon.

The system is very much like that in use in co-operative stores, which have existed in Denmark for a long time, as well as in other countries, mostly in England (the Rochdale system) only, one might say, in reversed form. A co-operative store undertakes the purchase and distribution of the common household articles, — coffee, sugar, soap, etc; — a co-operative production society undertakes the handling and marketing of its members products.

A co-operative dairy society constructs and equips a dairy, to which members, — all from the neighbouring district, — deliver the milk of their cows. Every morning the waggons collect the milk at the members doors and carry it to the dairy. Here the milk is separated and the cream is churned to butter and the next morning the waggons take the skim milk back to the farms to be used as food for the pigs. All the farms sending their milk to one dairy feed their cows in nearly the same way; some foodstuffs are prohibited, others are prescribed in fixed minimal quantities. By this means and through a constant control of the milk, which is paid for by weight and often by the percentage of cream it contains, the cows, which in turn are controlled by the dairy's own veterinaries, are of the best and heaviest milking stocks and the milk is richer and yields more butter. In this way butter is produced in greater quantity and of a better quality. The treatment of the milk in the dairies is based on uniform, scientific methods, the

best and most approved modern utensils are used and that cleanliness, which is an attribute of Danish dairies, is insisted upon.

In former times only the hand churn was in use on the farms. The milk was produced in much smaller quantity and the butter in quantity and quality was much behind the present record. The co-operative system has made it possible for the man with one cow to produce as good butter, in proportionate quantities, as the man with a hundred cows or more, and has brought about the world-wide reputation of Danish butter and the profits derived therefrom in great and ever-increasing proportion.

For further information attention is directed to page 25—26 setting forth statistics showing the progress of Denmark from 1864 to 1914 and giving some figures on the stock of cattle and the production and export of butter.

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The other great field into which the co-operative system of production has been introduced to the benefit of the Danish farmer is the production of bacon. Only a few years after the success of co-operation in dairies the first co-operative packing-house for pigs was constructed. The system is the same as that employed in the dairies. Members unite to build and equip the packing-house and then send their pigs to it, — fed according to certain fixed rules and when they have reached a certain size. At the packing-house the pigs are killed and uniformly treated, either for export to England or for home consumption. The

more intensive operation of the dairies produces a greater amount of skim milk, butter milk and serum, thus permitting an augmentation of the stock of pigs. The packing-houses through advice and instruction have assisted in making the product uniform and thus have brought good profits to the farmers.

Even outside of the dairies and packing houses Danish agriculture has made use of co-operation in different ways. There are numerous examples such as the co-operative ownership of stallions, bulls, threshing machines etc., which we do not need to give in detail here. It will suffice to mention it just to show how generally the small farmers through the aid of co-operation secure the best and choicest implements for their product.

The third factor which has aided in the improvement of Danish agriculture is, as mentioned above, also co-operation, but this time used for consumption. Either through the dairies or packing-houses or through independent unions, co-operation serves for the purchase of foodstuffs and fertilizers. In this way the small farmer gets as good a start as the great one and procures without difficulty at the right time the best and most appropriate supplies.

Through these great organizations the personal credit of the farmers has been greatly expanded. The credit of a single farmer must of course always be limited, but the financial world has come to understand that the organizations form an extensive base for credit. The single farmer may fail, but through mutual responsibility the one pays for the other, and it is quite impossible that they should all or even a great number of them fail at the same time. Banks

and merchants compete in granting credit to the agricultural organizations.

The importance of co-operation may be measured by the fact that, according to the latest statistics, the turn-over of Danish co-operatives in 1916—1917 amounted to 1157 million Danish Kroner (64 million Pounds Sterling). In the last year before the war the turnover was 745 million Danish Kroner; the last three years then show an increase of more than 50 percent. This increase would have been much greater in the last year but for the fact that the import of many kinds of goods met with difficulties and in many cases was stopped. The co-operative purchasing societies have suffered a decrease in turnover of 47 million Kroner, but on the other hand the producing and exporting societies have increased their turnover by 92 million Kroner — to a great extent, however, as a consequence of the higher prices. Out of the total of 1157 million Kroner the dairies and packing-houses count for 743 million Kroner outside of 35 million Kroner for export of cattle. Of the purchases, 72 million Kroner go to co-operative purchases of food-stuffs and fertilizers and 150 million to purchases of household articles etc.

Through the development here described Danish agriculture has been transformed in the last fifty years to such an extent that only the man who has lived through this space of time with the opportunity of watching the progress can fully appreciate the miraculous difference between Danish agriculture of 1864 and 1914.

But it was not only towards agricultural improvement that Denmark directed her energy after the disaster of 1864. Shipping, manufacturing and commerce made considerable progress.

Many steamers were constructed or purchased from abroad and the expansion continued up to the eve of the World War.

Industrial establishments which before 1864 were quite insignificant grew by and by to a moderate size, even though agriculture must always be the preponderant industry in a country which possesses neither coal nor iron.

Commerce found new and profitable connections in Europe as well as in other parts of the world.

Of course, the progress was not so marked during each of the fifty years. In Denmark, as elsewhere, difficulties — internal as well as external — interrupted and at times retarded progress, but the movement was always forward.

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The object in beginning this report with the preceding remarks is not only to draw attention at once to the solidity of the basis of Denmark's present fortunate economic position, but also to make plain why the attitude of Denmark in the world war was bound to be as it has been, regardless of sympathies which might have tempted us to take chances in our foreign policy. It seems fit to begin with a statement of these underlying facts, the more so as the attitude of Denmark during the war has from many sides — kind

and sympathetic but not sufficiently instructed — been thoroughly misunderstood.

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The Political Precursors Of The World War. To show how the economic progress of Denmark was influenced, if only to a small degree, by outside events, we need only mention the political troubles of 1909 when Germany upset the whole of Europe through the difficulties in Morocco by taking the field for the private firm of Mannesmann Brothers, the Agadir or Panther affair, the Turco-Italian war and above all the two Balkan wars.

During these years, — they are so recent that their events are in all minds, — Europe was never at rest. One trouble was scarcely eliminated and the economic progress of Europe continued when the next trouble arose and always with a dramatic climax which caused greater and greater anxiety in view of the steadily approaching danger of war between the Powers; — the war which after all ought rather to have occurred in consequence of the first of these crises, as it is now understood it was inevitable, and that if war was avoided for a time it was perhaps not so much because all the Powers desired it as because some of them preferred to see war postponed until they should be more advanced in their preparations.

But notwithstanding this it is evident that the consequences of all these precursors of the world war can likewise be traced in Denmark where they made themselves felt in finance and all kinds of trade, — shipping perhaps excepted. Their effects, however, were not so noticeable in Denmark as in most other

countries, and notwithstanding their influence Denmark came through them so well that the years 1912 and 1913 might justly be described as record years, and the year of 1914, which was so unhappy for all, opened under the best auspices.

The live stock amounted to:

	Full-grown horses	Full-grown cattle	Summaries Of Den- mark's Pro- gress 1864-1914.
in 1866	297.017	927.454	
- 1876	295.897	1012.469	
- 1888	320.386	1023.539	
- 1898	322.292	1179.647	
- 1909	403.386	1413.232	
- 1914 (July)	430.733	1474.308	

Denmark's stock of pigs	
in 1866	382.000
- 1876	504.000
- 1888	771.000
- 1898	1168.000
- 1909	1468.000
- 1914 (July)	2497.000

Denmark's export of butter		of bacon	
in 1863	about 2.400.000 kg.	about	700.000 kg.
- 1873	" 15.400.000 -	"	6.000.000 -
- 1883	" 17.200.000 -	"	12.000.000 -
- 1893	" 49.000.000 -	"	51.000.000 -
- 1903	" 80.000.000 -	"	80.700.000 -
- 1913	" 91.000.000 -	"	126.300.000 -

Denmark's steamships -- net register tons

at the end of 1884	90.711
" - 1894	141.511
" - 1904	317.532
" - 1914	476.250 (including motorships)

Deposits in Danish Savings Banks	
1863	Kr. 71.000.000
1873	174.000.000
1883	350.000.000
1893	535.000.000
1903	733.000.000
1913	838.000.000

Deposits in ordinary banks

1893	Kr. 192.000.000
1903	478.000.000
1913	906.000.000

Fire insurance on buildings

1874	Kr. 1.335.000.000
1880	1.705.000.000
1890	2.163.000.000
1900	2.825.000.000
1905	3.815.000.000
1910	4.512.000.000
1913	4.981.000.000

During the first six months of 1914 most countries — especially the great ones — were the prey of uncertain fears and were swerving to and fro in many instances so marked and in such a way that *now, afterwards*, one is tempted to think that some people from the beginning of the year were acquainted with the fact that this year was to see the final and irrevocable opening of the third Balkan war, now because of its dimensions styled the World War.

In this connection one must remember how the Dresdener Bank warned its customers against engagements in foreign investments and advised them to reduce their holdings of such securities. It is also worth remembering the steady decrease of Germany's credit abroad, illustrated by the steady increase in Sterling which seems more comprehensible than it was then. The quotation of Marks in London (short term) in the months before the war was as follows:

May 1st 1914	20,47	May 15 1914	20,49 ¹ / ₄
„ 8 „	20,48 ³ / ₄	„ 22 „	20,50 ¹ / ₂

May 29	1914	20,49 ¹ / ₄	July 3	1914	20,49 ¹ / ₄
June 5	"	20,50 ¹ / ₂	" 10	"	20,50 ¹ / ₂
" 12	"	20,50	" 17	"	20,49 ¹ / ₂
" 19	"	20,49	" 24	"	20,51
" 26	"	20,50 ¹ / ₂			

The feelings of unrest influenced also economic matters in Denmark to some extent, but her situation was on the whole sound and flourishing when the thunder-bolt came and the invasion of Belgium set nearly all Europe aflame.

*

And then the World War broke out.

The Beginning Of The

The preceding events are still too much in the minds of all to be mentioned here. We need only recall the feeling of uneasiness which pervaded Europe shortly after the murder in Serajevo, at first uncertain but steadily increasing up to the time of the panic which, in the last days of July, caused the closing of nearly all the leading exchanges notwithstanding the fact that different forces worked, and not without hope, to escape the war between the Powers and to localize the conflict, until Germany declared war on Russia, and so, destroying all hope, disclosed the inevitable fact in all its horror.

World War.

In Denmark it was fully understood from the beginning that there was only one thing to do, namely to keep out of the war by all means and to do this by a declaration of neutrality and by a strict observance of neutrality against both parties without being influenced by feelings of sympathy, however strong

they might be. Everyone knew that if this neutrality was not maintained we should at once be caught in the whirlpool of war and whirled to the bottom to be ruined for ever.

By reason of her geographical position the non-observance of Denmark's neutrality would have made her a bone of contention to the belligerents, especially to Great Britain and Germany. If Denmark should side against Germany the people well knew, even without the example of Belgium and later on Servia, Montenegro and Roumania, that Germany, so close to Denmark and much better prepared for war in every respect than any other Power, would overrun the whole country a long time before any of her adversaries. It was also clearly seen that this geographical coherence with Germany and the complete supremacy of Germany at the moment would make it impossible for other Powers to come to the rescue until too late. If Denmark should have sided with Germany the sea would have been barred and her ports closed, thus causing complete ruin in another way.

There was only one thing to be done. The King issued a Proclamation to the people which met with a sympathetic reception, and the government at once declared its neutrality and took the necessary steps, military and otherwise, to secure and maintain this neutrality and to enable the country, notwithstanding the war, to continue its existence and to procure the necessities of life and the continuation of work — all in such a way that no one could find a pretext to violate or even to doubt this neutrality or the sincerity of it, a doubt which, at a time when might

would have temporarily, at least, overcome right, was bound to have the most dangerous consequences.

The military measures consisted in the establishment of armed military and naval forces, very considerable in proportion to the size of the country and very costly, for the purpose of repelling all attacks as long as possible and warding off all casual violations of our neutrality. Further, mines were laid in the Storebelt, which separates Sealand from Fyen, in order to secure the communication between the different parts of the country and in the waters near Copenhagen in order to protect the capital against sudden attacks.

The Government asked the Rigsdag for and obtained Prohibition authorizations to issue export prohibitions and thus Of Export. prevent on the one hand any of the belligerent parties receiving goods from this country, the export of which was contrary to the maintenance of neutrality, and on the other hand to prevent the country being drained of goods which were indispensable for the welfare of the population.

Since then exports of many kinds of goods have been prohibited, not all at once, but gradually as time and the war made it necessary.

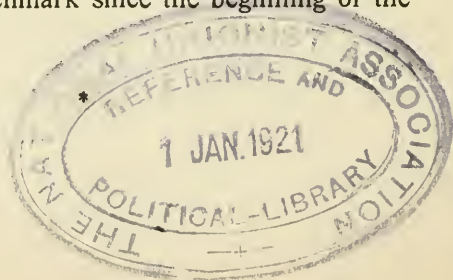
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At once, and as in all other countries, belligerent or neutral, the export of gold was prohibited and the National Bank was released from its obligation to exchange its notes for gold. Further, export of arms and ammunition was prohibited to all belligerents, as well as of all goods which might be used directly

for warlike purposes including such food as grain, groats, breadstuffs and potatoes. In this connection it might be mentioned that the United States of America, during the whole of the war and until that country itself entered the ranks of the belligerents, did not issue any of these export prohibitions, and that Denmark consequently had to shift without the support which a corresponding attitude on the part of the greatest of all neutral powers might have given.

Export Of As to the export of agricultural products it was
Agricultural evident from the beginning that only in case of strict
Products. necessity would it be possible to prohibit the export
of those commodities whose production so far had
been the dominant industry in the country and had
yielded the greatest income, viz. butter, cattle, —
live or killed, bacon, eggs, etc. A prohibition here
would have stopped at once the whole economic life
of the country by creating an artificial abundance of
all these articles and thus bringing on the ruin of agriculture, in this way depriving the country not only
of the material means for the conservation of neutrality, but also of the means for barter abroad to
procure the necessary raw materials which it did
not possess. Only in the case that continued export
or decrease in production should create a danger for
the home supply, might it be reasonable to prohibit
export partly or wholly.

In this way the neutrality of the country was provided for, but even so great anxiety for the future has prevailed in Denmark since the beginning of the war.



The greatest difficulty was to keep up communication to the westward. The coal supply was to be drawn from England as heretofore, though it was possible to substitute German coal to some degree, and likewise we were anxious to continue, to the same extent, the catering to England, which country had been the greatest consumer of Danish butter, bacon and eggs, etc. And the reason for this concern was not the want of a market! On the contrary, Germany offered at once and without interruption to buy all the goods which so far had been exported to England, and if only the pecuniary side had been taken into consideration, — it must be admitted that these offers were very tempting, — the prices offered would have been much higher than those offered in England. But the Danish farmer and the Danish merchant fully agreed that the former export to England should be continued as far as possible even though they had to stand the loss.

But while we wished to continue the westward communication it met with many and serious difficulties in the way of mines (from both sides) and of submarines, which of course caused much trouble both to sailors and owners and made the voyages not only dangerous but also more uncertain and sporadic than the perishable character of the goods permitted. And many are the Danish vessels which have been sent to the bottom of the North Sea during the war, as will readily be seen from the statistics on shipping given later on. But the courage of the Danish sailors and the public-spiritedness of the owners overcame all difficulties.

We venture to say that the results have been

gratifying and have until lately corresponded to the desire on the part of the Danes to provide food for the countries to the West to the same extent as before the war.

Butter Ex- As a proof we may state that the export of butter
port From from Denmark to England amounted to:

Denmark	1.618.000 cwt in 1912
To England	1.706.700 " - 1913
	1.749.000 " - 1914

and consequently in the last year (the first of the war) to considerably more than in the preceding two years of peace.

In the following year — 1915 — the export of butter from Denmark to England went down to 1.327.000 cwt., and this might at first sight appear to be a departure from the former system, but in reality it is not. It must be remembered that in time of peace Denmark imports enormous quantities of Russian (Siberian) butter. Part of this butter is consumed in Denmark, thus making Danish butter free for export, but the greater part of it is re-exported to England and thus in times of peace swells the Danish export figures. During the war only insignificant quantities of Siberian butter came to Denmark, the bulk of it being sent to England by other routes, principally by way of Archangel. While England in 1914 imported 616.400 cwt. of Siberian butter from Russia, in 1915 the import amounted to not less than 1.017.500 cwt. The Danish merchant had his great share in the import to England of all this butter.

Danish
Commerce
With Rus-
sian Butter.

At a very early date the industrious Danish merchant took an interest in the production and export of Siberian butter, bought the butter in large quan-

tities, took care of the improvement in quality, instructed and invited the population to construct dairies in Siberia and then exported the butter to Denmark, from which place it was re-exported to England. During the war, conditions in the Baltic and the German blockade of the Russian ports have put a stop to this trade, and the Danish merchant has consequently forwarded his Russian butter via Archangel. And it is worth noting that more than one-half of the import to England in 1915 of Russian (Siberian) butter — 1,017,000 cwt., according to trustworthy information, originates with Danish merchants. In other words the diminution of the import of Danish butter is simply explained by the fact that 500,000 cwt. Siberian butter which, if Russia had not been at war, would have passed from Russian ports on the Baltic to Denmark and thence to England, thus swelling the import from Denmark from 1,327,000 cwt., to more than 1,827,000 cwt., — have been sent to England by way of Archangel by the same Danish merchants who would otherwise have sent this butter by way of the Baltic. Consequently the British consumer received more Danish butter in 1915 than any previous year.

The statement made above has been emphasized as much as possible because in England many people believe that during the war large quantities of Danish butter have been exported to Germany. Nothing can be more erroneous. It is true that during the war more Danish butter has been exported to Germany than before, but the reason for this is to be found in the German customs law, which imposed a high duty on butter, cream passing free, and in this way caused a great export of Danish cream to Germany to be

churned to butter there. But this import of cream has been without interest during the war, as the law in question has been provisionally repealed and the duty abolished, and consequently cream is no longer exported in a raw condition but is churned to butter in Denmark and then exported to Germany, thus increasing the export to some extent.

In 1916 the import of Russian butter to England declined to 34.542 cwt. (against 1.017.000 cwt. in 1915) or practically stopped, while the import of Danish butter to England still remained at 1.134.801 cwt.

While the cause of the decline in the export of butter from Russia in 1916 is plainly to be found in the chaotic state of communication and production there, which began that year, the reason for the decline in the production of Danish butter is that in 1916 Denmark had a taste, — though small in comparison with later experiences, — of the restraint by the Western Powers on the supplies of necessary foodstuffs. In this connection it may be stated that nearly all attempts to get soya-beans or soya-cake from England failed and that France absolutely refused permission for export to Denmark of groundnut cakes of which a considerable stock was lying in Marseille.

Butter Ex- The statistics for 1917 are not yet at hand, but
port In it may be supposed that Denmark has not been able
1917. to keep level with former years in the export of butter. During 1917 the weather was very bad for the farmers. The greater part of the summer was dry and sunny and the grass was almost burned away, and with the decreased supply of foodstuffs the production

of milk and consequently of butter was much below the average all over the country. Later on the scarcity of food caused by the poor harvest forced the farmers to reduce their stocks of cattle so that the production of butter was very small during the autumn and winter.

As a striking proof of the extent of the decline we give the following figures:

Production of grain in millions of hectokilogram

	1909—13 Average	1914	1915	1916	1917
Wheat	1.48	1.58	2.17	1.64	1.17
Rye	4.48	2.83	3.38	2.74	2.25
Barley	5.43	4.96	6.17	5.33	3.89
Barley and Oats mixed	3.63	3.22	3.60	3.47	2.75
Oats	7.75	6.85	7.60	7.50	5.47
Peas	0.09	0.06	0.06	0.08	0.06
Buckwheat	0.02	0.02	0.02	0.02	0.02
Total	22.88	19.52	23.00	20.78	15.61

Production in tons (000 omitted)

	1909—13 Average	1914	1915	1916	1917
Hay	1801	1620	1149	2131	1166
Straw	3518	2696	2878	3521	1632

The first table shows that the production of grain in 1917 was about 16 million hectokilogram, or about 5 million less than in 1916, which again was below the average.

The second table shows that both hay and straw were produced in extraordinarily small quantities in 1917. While the production of hay in 1916 was large and the production of straw about normal, the pro-

duction of straw in 1917 was not half the average and that of hay was only about two-thirds the normal.

Lack Of Imported Foodstuffs. In time of peace the Danish farmer would have made up for the decrease by a larger import of foodstuffs and cakes, but in 1917 this was quite impossible; it was not even possible to procure the normal supplies, as England, as well as the United States, placed even more stringent restrictions on this point than in 1916, based on the belief that Germany would profit if the export of food supplies to Denmark were permitted. Later on, it will be shown that the result of this procedure benefited only the Central Powers. In Denmark, however, the desire to supply agricultural products to England was as earnest in 1916 and 1917 as in former years.

Enormous Decrease In Production Of Butter. The reduced quantity of milk, due to the conditions stated above, has resulted in such a decline in the production of butter in Denmark that there is now not enough for home consumption. While the disappearance of margarine had tended to increase the consumption of butter, the very high prices have reduced it still more. Even so, however, there is not enough butter, and a strict rationing has been the result, only allowing quite insufficient weekly rations for each person, so much more insufficient as the import of raw materials for the manufacturing of margarine has been cut off long ago. The same applies to other fats.

The final result was that the Danish Government, in November 1917, was compelled to prohibit the export of all agricultural products. This action does not mean, however, that export to England has decreased, or that export to Germany has increased. It

is only intended to control exports and to use them for reciprocal concessions, obtaining necessary supplies in return for export licenses. A considerable weekly quantity of butter was still destined for export to England, but of course this export must automatically end when England, as in January 1918, places a maximum price on butter which only covers half the cost of production in Denmark. Besides a certain quantity of butter must also be reserved for our brother countries, Norway and Sweden, who are in still greater need of the necessities of life than we are.

A rather detailed account of the export of Danish butter has been given here because this at the same time gives a general view of the situation of Denmark during the war in nearly every respect. The products of farming form by far the greatest part of the production of Denmark; and of the farm products, butter is predominant, both for home consumption and for export. Before the war, in 1913, the total value of all exports from Denmark amounted to Kr. 637,000,000, while the value of agricultural products exported was Kr. 549,000,000; and of this last figure, butter accounted for Kr. 223,000,000.

The development of the butter export gives first and foremost a picture of the effects of maritime warfare and the perils of the sea, which, beginning with the first year of the war, have continued on an ever-increasing scale. To these difficulties have been added two other serious impediments to Danish shipping, viz.: England's restrictions on foodstuffs destined for Denmark, and the embargo of the United States on exports of corn and foodstuffs to Denmark just at the season when they were most needed.

Courage and industry might have overcome the difficulties which interfered with Denmark's exports to the western countries, but it was quite impossible to make good the failing imports. By the stoppage of raw materials for margarine and other fats, the population is forced to employ butter to a larger degree. By the stoppage of supplies of foodstuffs for cattle, especially when enhanced by failure of the harvests, the amount of live stock is reduced and the production of milk and butter is curtailed in a corresponding proportion. Without food a cow cannot produce milk, and without milk butter cannot be made, either for export or for home consumption, and as, for the reasons indicated, the home consumption tends to increase, it is evident that next to nothing is left for export.

So far as butter is concerned — and the same applies for corresponding reasons to many other agricultural products — rather a long time must pass before any change will be felt, as the lack of foodstuffs has resulted in extraordinary killings of stock during 1917, and the raising of the reduced stock requires several years. It is even to be feared that the supplies which the United States conceded in the last weeks of 1917 will be too late to be a real remedy. At the end of May 1918, they had not yet appeared.

That the western powers, and especially England, may have harassed the Central Powers, and Germany in particular, by the restraints on shipping and commerce cannot be denied, but it is equally probable that the Allied Powers, and first of all England, might have attained the same and even greater results by a more moderate attitude based on better information about Denmark's, and especially the farmer's, needs.

Even if Germany has at times suffered some difficulty on account of England's several measures, it is certain that at other times it has profited by them. In this connection it may be mentioned that the shipping policies above described have during 1917 caused an extensive but totally undesired slaughter of live-stock, with the result that either cattle or meat had to be sold in the home market or in Germany at extremely low prices. This again has the effect of causing a considerable decline in exports to England; and even if Denmark, before the war and likewise during the war, provided to a certain extent for Germany, Denmark has at the same time been, and has always desired to be, a much more important purveyor to the wants of the British people.

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As already stated, the Government at the opening of the war adopted various measures. Amongst these was the suspension of the obligation of the National Bank to redeem its notes in gold, and the prohibition of the export of gold. The result of these measures was, as might be anticipated, that all gold in the vaults of the National Bank remained there, and that all gold in circulation or arriving in the country was bound to end in these vaults. These results were desired here exactly as in other countries, and no doubt on account of the existing uncertainty the Government was fully justified in adopting such regulations. The continuance of this policy has also been justified, for it will not be possible, until after the end of the

war, whenever that may be, to see clearly the lines of future financial policy.

On March 2, 1916, however, the National Bank resumed the redemption of its notes in gold, although it reserved the right of ceasing to make payments in gold whenever desirable. The embargo on the export of gold is still in force.

Besides the original intention, the withdrawal of gold from circulation had the additional effect of causing automatically an immense expansion of the note issue of the Bank. The Bank charter of 1907, which was in effect at the opening of the war, provided that, in addition to other securities, the notes in circulation had to be covered by a coin and bullion stock of half their denomination — this stock to consist of actual coin or bullion or by an amount, not exceeding two-fifths, of deposits with the note-issuing banks of neighbouring countries, not bearing interest and consequently convertible into gold at sight. The National Bank, which always has plenty of collateral securities, might then for each Kr. 1,000 in actual gold, or in deposits immediately convertible into gold, give out notes for Kr. 2,000.

In the last balance before the war, the balance per ult. of July 1914, the coin and bullion stock amounted to Kr. 78,300,000, and the notes issued were Kr. 156,400,000, or nearly twice the amount of the gold stock, and notes might consequently then be increased to double the amount of the inflowing gold. But though a great influx of gold was a certain consequence of the measures just mentioned, it became evident after two months that, if the Bank was to supply a circulating medium in sufficient quantity for the ordinary

requirements of the Government, for the heavy expense of maintaining neutrality, and for meeting the demand of rising prices and greater activity of trade, it would be necessary to change the rules of peacetime and to make others which, while giving ample security, would leave the Bank with greater facilities for the issue of notes.

According to an earlier promise of the Government, a Royal Order in Council of September 30, 1914, later on succeeded by an Act of Parliament, required the National Bank to keep of coin and bullion only forty per cent (instead of fifty per cent, as formerly) of the amount of notes. It was also provided that one-fourth of the coin and bullion stock need not consist of gold, but might be represented by deposits with foreign correspondents of the Bank, if approved by the Royal Commissary, or by bonds of foreign governments taken at their official quotation. In this way the Bank obtained a much freer hand, as, even if the actual gold in its possession should still cover thirty per cent of the circulation the remaining seventy per cent of the notes might be covered by other securities, with which the Bank was always amply provided.

Further, the Bank was authorized to issue notes against its holdings of Danish Governmental bonds taken at par value; but such notes were not to exceed ten per cent of the whole circulating amount. The Bank might then, by proper handling of its assets, issue Kr. 3,666²/₃ for each Kr. 1,000 held in actual gold. As will be seen, this is a radical change, likely to shake all theories which consider actual gold the only proper covering for bank notes, but a mea-

sure that, in consideration of the quality of the securities which, together with the coin and bullion stock, serve to protect the notes, was quite justifiable, as the results have proved.

Through the aid of these new rules and the ever-increasing influx of gold, the Bank managed to meet the likewise ever-increasing public and private demands for circulating mediums, without in any way encroaching on the security of the protection of the notes. The following table gives the stock of gold and the amount of notes in circulation at the dates indicated:

	Date	Stock of Gold	Circulation	Approximate Proportion (%)
July	30, 1914	Kr. 78,300,000	Kr. 156,400,000	50.06
Sept.	30, 1914	69,000,000	211,000,000	32.70
Oct.	31, 1914	69,000,000	224,000,000	30.80
Nov.	30, 1914	78,000,000	211,000,000	36.97
Dec.	31, 1914	91,500,000	206,500,000	44.31
Jan.	31, 1915	104,500,000	194,000,000	53.87
April	29, 1915	107,000,000	209,000,000	51.20
July	30, 1915	107,000,000	204,000,000	52.45
Oct.	30, 1915	106,500,000	231,000,000	46.10
Jan.	31, 1916	111,500,000	213,500,000	52.22
April	29, 1916	139,500,000	255,500,000	54.60
July	31, 1916	161,500,000	245,000,000	65.92
Oct.	31, 1916	150,000,000	281,000,000	53.38
Jan.	31, 1917	162,000,000	266,000,000	60.90
April	30, 1917	172,500,000	301,000,000	57.31
July	31, 1917	195,000,000	289,000,000	67.47
Oct.	31, 1917	189,000,000	326,000,000	57.98
Jan.	31, 1918	173,500,000	329,000,000	52.74
March	30, 1918	184,800,000	351,000,000	52.65

In this connection it may be of interest to mention that on October 31, 1914, when the proportion of

gold to notes in circulation was at its lowest, the Bank possessed, as security for notes amounting to Kr. 224,000,000, gold to the amount of Kr. 69,000,000 and other securities for Kr. 206,000,000; and that on July 31, 1917, when the proportion was at its highest, the security for notes amounting to Kr. 289,000,000 consisted of Kr. 195,000,000 in gold and of Kr. 253,000,000 in other securities. We are consequently justified in saying that the protection of the notes was in every way safe and sound.



As has been stated previously, the turn-over of trade increased very heavily during the first years of the war, not only in quantity but also in value. The first step forward was an enormous demand for horses from Germany. During former years, there had been regularly a moderate export of horses to Germany; but now it increased suddenly to an extraordinary height, and almost incredible prices were paid. The German buyers no longer were interested in the quality of the horses, but only in the number. They might be said to adhere to the maxim, „A horse is a horse, no matter what it looks like or what it costs.“ On September 5, 1914, however, the Government placed an embargo on the export of horses useful for military purposes, and on November 23, 1914, all export of horses was prohibited.

The German and Austrian buyers also displayed a strong demand for canned food for soldiers and workers, which was sold as „goulasch“, and for which large numbers of old cows and dubious pigs had to

The Wants
Of Ger-
many And
Austria.

give their lives. At the same time the usual buying of cattle and pigs assumed larger dimensions than ever before. All that farmers could spare was sold at fancy prices. But in justice it must be said that the Danish farmers, provident as ever, were careful not to force their sales so as to encroach on actual or future production of butter and bacon. As mentioned above, it was the action of England and the United States, by their embargo on supplies for Denmark, to enforce the sales and the slaughter of cattle and pigs.

In 1909 the stock of full-grown cattle was 1,413,232 head. At the count on July 15, 1914, the figure had increased to 1,474,308. On May 15, 1915, it had again decreased to 1,437,720. The difference between these two last figures is due to the extraordinary conditions during the first year of the war. The next count, on July 15, 1917, when the figure was 1,336,314 head, shows the first step toward the decline caused by the embargo of England and the United States on all supplies of foodstuffs. The latest count was made on February 5, 1918, and the figure had then gone down to 1,196,825 head.

The stock of pigs was counted in July 1917, and amounted to about 1,650,000 head; in December 1917, the stock numbered about 789,000 head, or less than half the former amount. A later count of pigs was made on February 5, 1918, and showed a further decline of 276,000, the stock at that date being 513,000 head, and at the end of March 1918, the stock was further reduced to about 430,000 head, which is about one-sixth of the figure before the war. The reduction originates from last year's bad harvest

and the lack of supplies by which the Danish farmer should have made up for the deficit.

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Another field in which the turn-over increased heavily during the first period of the war was the import trade from the west, above all from the United States. During the first months of the war it was possible to get from the United States nearly all goods which were in demand. The United States were more than willing to sell, and at that time England placed no obstacles in the way of imports to neutral countries of goods which at the beginning of the war were not considered contraband according to the Hague convention and the old international laws, notwithstanding the well-known fact that large consignments were re-exported to the Central Powers. The shipping had then no other obstacles to conquer than the danger of mines, which no doubt prevailed for a time, thus causing Danish vessels to be laid up when returned to Danish ports. This was, however, eventually overcome and the ships took up their trade again. With the full knowledge of England large shipments of foodstuffs, and most of them of American origin, were re-exported to the Central Powers during this period from all neighbouring countries, Denmark not excepted.

Soon after, England began to intervene, first by taking the ships to Kirkwall for examination, thus delaying them for a long time, and in many cases for total discharge. Later on, England extended her interpretation of contraband in such a way that even

Imports
From The
West.

Interven-
tion Of
England.

quite ordinary provisions in neutral ships were stopped whenever England believed that the goods in question were intended for an enemy destination. Finally, England took even more drastic steps by putting the neutral countries on rations.

Results Of This conduct on the part of England was based on
Interven- the following reasoning: When a country like Den-
tion Of mark during the war imports much larger quantities
England. of some goods from the west than it did before, this
is absolute and sufficient proof that the surplus is destined for Germany. It was quite forgotten, however, that the industries of Denmark, which were greatly enlarged during the first years of the war, needed much greater quantities of all kinds of goods for the home consumption, and especially that the war had closed previous channels of supply for the home consumption. Formerly — that is, before the war — large quantities of many kinds of goods and raw materials were imported not directly from the transatlantic countries, but via Bremen and Hamburg to Denmark. However, this way now being closed, the goods had to be shipped direct to Danish ports. To the east the connection between Denmark and Russia was now discontinued; and Denmark, which was previously supplied with enormous quantities of foodstuffs, grain, oil-seed and oil-cakes, flax, hemp, and many other things from Russia, was therefore obliged to obtain these goods elsewhere, i. e. from America. This is the reason why Denmark's import from America of many kinds of goods for her own consumption had been enormously increased.

Effort It is evident that all these restrictions were of great
To Reach harm to Danish trade and shipping. Consequently an

endeavour was immediately made to reach an understanding with England, in order to obtain the minimum of imports which were absolutely necessary for the prosperity of the country.

At first, private firms, companies and individuals tried to get permission to import goods through unofficial negotiations with the English authorities. The matter was generally arranged in such a way that the importer in question gave a solemn declaration to the English authorities to the effect that the goods under consideration would not be exported from Denmark to any country at war with Great Britain. In order to facilitate these matters, it was provided in the beginning, when the condition of affairs and the trustworthiness of the firms in question justified such a manner of proceeding, that the importers should obtain certificates of trustworthiness from the Merchants' Guild of Copenhagen to lay before the English authorities. This system might no doubt have worked satisfactorily if the war had soon ended. As it was evident, however, that the war would probably be long, this arrangement with individual firms and persons under the quite arbitrary control of the foreign countries could not possibly fulfil its purpose.

As the Danish Government could not enter into any official agreement with the British Government relative to these matters, Danish commercial and industrial organizations took up the matter and made an arrangement with the British Government. The agreement in question was signed on November 19, 1915.

The main points were that the Merchants' Guild of Copenhagen, on behalf of the merchants, and the

Agreement
Between
Denmark
And

England.

Terms Of
Unofficial
Danish-
English
Agreement.

Danish Industrial Committee, on behalf of Danish industrial interests, should undertake to guarantee the fulfilment of the obligations with reference to non-exportation which were imposed upon goods coming from the west. The responsibility of the various importers, and of those to whom the importers sold the goods, was arranged in such a way that the importers, and every person to whom the goods were transferred, had to give a declaration to the Merchants' Guild in which the fulfilment of the obligations (the so-called clauses) was guaranteed. Cases of infringement were made punishable by large penalties. In order to secure the maintenance of the declaration, the persons in question were subject at any time to examination of their books, business papers, etc. In case of infringement, penalties of up to Kr. 10,000 in each single case had to be paid, and in addition the offender was required to pay a sum of money equal to double the value of the goods in the European market where the highest price was ruling.

At the signing of this agreement it was further stipulated by a special additional agreement that certain goods (19 different categories in all) could only be imported to Denmark to a limited extent, the average import of the last years before the war being taken as a basis for the import.

In Denmark the opinion was that the limitations of importations into the country were now definitely fixed. England, however, held quite a different opinion, and from September 1916, and onward Denmark was compelled to accept a series of additional agreements, with the result that on Febru-

ary 1, 1917, the import of about ninety different kinds of goods was restricted.

Later on, the arrangement with England was extended through corresponding agreements with France, on March 17, 1916, with Italy, on December 21, 1916, and with Russia, on February 26, 1917. Similar arrangements were also necessary with regard to imports from the south.

In order to maintain this arrangement in the best possible way great care was exercised by the Merchants' Guild. The former system of certificates of trustworthiness was so restricted that only such merchants and manufacturers obtained permission to import the goods in question as could be relied upon to fulfil conscientiously the obligations undertaken. This system worked satisfactorily, on the whole, and it probably would have been quite sufficient if somewhat greater liberality had been shown in cases where additional agreements proved to be necessary. It was, of course, impossible entirely to avoid breaches of clauses, too many people often being implicated. It must be borne in mind that, while the Merchants' Guild and the Industrial Committee could show great severity in investigating the concerns which might get permission to import, an investigation was much more difficult when the goods were distributed in smaller lots, although against declarations from the new buyers, whose number was of course very large, and who in many cases were not known to the Merchants' Guild and the Industrial Committee. On the other hand, when denying the sale of goods to new Danish buyers too rigorously, the said associations

would run the risk of totally paralyzing the home trade.

Punish- The cases of clause-offences which were known —
ment Of and it is probable that most cases became known, sooner
Clause- or later — were treated with the greatest severity,
Offenders. and the penalties and damages (in all between two
and three million kroner) which the offenders were
fined by the courts of arbitration of the Merchants'
Guild and the Industrial Committee were so large
that in several cases they resulted in the official bank-
ruptcy of the offenders, or at least in the paralyzing
of their whole economic activity. At any rate, a vivid
warning was given to like-minded persons.

Besides, it was decided not to reserve these cases
for private treatment and private prosecution, but an
act was passed, taking effect April 5, 1916, which
stipulated that clause-offences should be subject to
public prosecution by the police authorities and be-
fore the courts, and the offenders were now also sub-
ject to penalty of imprisonment. Several offenders
have been sentenced to imprisonment, some of them
to penal servitude.

Acknow- It was therefore with good reason that the English
ledgement Government in Parliament, in the spring of 1917,
Of Den- officially acknowledged that Denmark had fulfilled
mark's her trade obligations to England in an absolutely
Loyalty By loyal manner.

England. However, while the obstacles to trade and import
which were caused by the measures taken by the
Allies, were thus fairly conquered, at any rate for a
long time, a new period of renewed and highly in-
creased difficulties to Denmark's trade set in when the
German submarine war was declared, and still more

when the so-called unrestricted submarine war was declared on February 1, 1917. We are unable to judge the benefits which Germany has derived from this way of conducting war; but one thing is certain, that many Danes have been killed by this war, and it has impaired our mercantile marine and disturbed our trade westward and Denmark's import of all kinds of goods from the west in the highest degree.



As will be seen from the above figures on mercantile tonnage, page 25, Denmark possessed at the beginning of the war a well-manned and important merchant marine, in proportion to the size and conditions of the country, and was therefore ready to take up the service of marine transport which the war and its need of tonnage involved. This work has, however, from the beginning and ever since met with many and great difficulties.

In the first place must be mentioned the danger incurred on account of the mines of both belligerents. In the very first days of the war, when the nervousness had no doubt reached its climax, two large Danish steamers were sunk by English mines in the Channel, in spite of the captains having followed the route indicated by the British Admiralty as the absolutely safe way to avoid English mines. Of course these two accidents created a natural fear that similar ones might follow. The direct consequence was that the Danish shipowners in some instances laid up their ships when they returned to Danish ports, and in other cases

ordered the ships at sea to go to neutral ports and remain there until further orders, without regard to their cargos. Perhaps on account of the opinion prevailing at that time all over the world that the war would soon end, the shipowners were also stimulated to do so by the fact that, the war did not at all increase the demand for tonnage, the freight rates on the contrary being reduced during the first months. The same phenomenon of ships laid up and filling the ports in long rows might therefore have been seen in Copenhagen, as all over the world.

Resumption Of Shipping Trade. However, as the war proved to be of longer duration than at first expected, and all Russian ports (the Baltic ports, as well as the ports of the Black Sea) were closed, Archangel only excepted, all articles had to be brought from transatlantic places, especially from the United States. Consequently all ships which were fit for these voyages were employed in the American Trade, and the demand for tonnage soon doubled the freight rates, even before the end of 1914. This rise was considered enormous, people being unable at that time even to dream of the coming rises, and the shipowners did their utmost to get their share of the benefits of this revival of shipping.

Gradually, as the war went on, the belligerents more and more were in need of their tonnage for transport between their own countries and the various fields of war. At the same time England adopted the system of taking all neutral ships in to Kirkwall for examination, and here, as well as in all other Allied ports, when ships came in for discharge, they were always much delayed. The consequence was that the

demand for tonnage grew ever stronger and that the freight rates increased by leaps and bounds.

Attempts were made from time to time by the Danish Government, which wished to see Denmark supplied at moderate freight rates, as well as by the governments of the Allied countries, to find a way to regulate the freights and to prevent their rising. These attempts failed, however, in the main and were bound to fail on account of the world-wide extension of shipping which cannot be regulated by government offices, even if the countries are both large and powerful.

Failure Of
Attempts
To Regulate
Rates.

The Allied countries, especially England, succeeded only in accomplishing the opposite of their object, as the result was to a certain extent the stopping of traffic. By keeping back neutral ships and by refusing them supplies of bunker coal they succeeded, however, in compelling them to make voyages of duty, at rather reasonable freight rates, into waters where the ships would not have sailed under other circumstances, and where their presence has too often been fatal, on account of the submarine warfare. A very great number of the Danish ships which have gone down during the war have met their fate on such enforced voyages of duty.

The freight rates then rose without interruption and still further increased, since the tonnage was reduced at the same time as the demand for it was growing. Shipbuilding, although accelerated in all neutral countries and also in several of the warring countries, was insufficient to compensate for the enormous reductions caused by mines, then by the first submarine war, and finally by the unrestricted

submarine war, in which the Germans soon included neutrals.

Losses Of The Merchant Marine. At the close of the year 1914 Denmark possessed a mercantile marine of steamers with a net registered tonnage of about 433,900 tons (four ships having been lost by mines in the course of the year), and of motor vessels about 42,350 tons, or a total of 476,250 tons. In the course of the years 1915 and 1916, 86 steamers were lost by torpedoes and mines, totalling a net registered tonnage of 57,415. In the course of 1917 the Danish mercantile marine has suffered a loss of 129 steamers on account of the war, nearly all on account of the unrestricted submarine warfare, totalling a net registered tonnage of 86,503. During 1915 to 1917 altogether 215 steamers of net registered tonnage of 143,918, or 223,733 gross register tons, were lost. If to this loss, four ships of 8,212 gross registered tons, lost in 1914, are added, Denmark's loss of steamers has amounted to a total of 219 ships of 231,945 gross registered tons up to the end of 1917. At the same time, a rather large number of sailing vessels has been destroyed.

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The other side of the matter represents an economic profit. Many ships succeeded in getting through, enormous freights were earned, and the profits were large in spite of the increased expenses in all respects. The value of the ships rose rapidly and may no doubt be expected to decline only very slowly after the war, as the demand for all available tonnage will be very considerable for a long time after the war,

without regard to costs. All this cannot, however, compensate for the loss of many courageous Danish sailors, nor for the paralysing of trade and the resulting scarcity and want of employment at home.

Furthermore, the whole increase of the freights is naturally not a net profit for the country. In the first place, the expenses of the shipping trade for its own supplies of coal and many other articles from abroad have been very large. In the second place, part of the freight consisted of goods destined for home consumption, and consequently, even if these increased freight rates have benefited the shipping trade, they must be paid by the country in greatly increased prices for the goods.

Still, the net profit on the shipping trade has been so large that nobody would have thought it possible before the war. At the same time, as said above the country's fortune has grown very much on account of the enhanced values of the ships, the total sum of which greatly surpasses the total value of the ships before the war.

As shown above, commerce with foreign countries brought much money to Denmark, especially during the first years of the war. For the first three years of the war, the entire Danish trade flourished as never before, also to the benefit of our large customers, the Allied countries, and England in particular. By the distribution of the earnings among almost all parts of the population, the prosperity was general in the country. Prosperity.

However, as will be known, everything in the world has its inconveniences, and consequently great prosperity has also its own burdens to bear. As is always

the case when people get much money without being used to it, an improper and ostentatious luxury was shown also here, in certain circles, and in spite of the number of these persons not being very large, they made a great sensation which was hardly flattering. However, the indignation on the part of the better classes soon led them back within proper bounds.

Scarcity. But this picture has more than inconveniences; it has a reverse; and the reverse in this case is the extreme scarcity of all goods, caused by the war, which cannot easily or quickly be redressed.

In Denmark as in all other countries, an enormous rise in prices has taken place during the war. This rise applies to all goods, though in different degrees, and is on the one hand a consequence of the altered conditions of production and import caused by the war, and as such shows the difficulties to be met with by the producers. On the other hand, it has compelled the consumers to buy on unfavorable terms, in spite of important price regulations. This will be seen from the following comparison:

Date	Cost of food	Other expenses	Total expenses
July, 1914	100	100	100
July, 1915	128	106	116
July, 1916	146	127	136
February, 1917	158	135	146
July, 1917	166	144	155

A household costing in July, 1914, Kr. 2,000 annually cost in July, 1915, Kr. 2,320; in July, 1916, Kr. 2,720; in February, 1917, Kr. 2,920; and in July, 1917, Kr. 3,100 annually. The total rise of prices

is consequently fiftyfive per cent of all expenses together. Until May, 1917, the rise in Norway was 77 % and in Sweden, 52 %. Now it is much greater in all three countries.

*

At the same time, the prosperity of trade has diminished greatly, on account of the limited supply of goods. This applies to all raw materials which are not produced in Denmark, especially to oil and coal. As a striking example some figures from last year are given below, showing not only the high prices which have been paid in England for industrial coal (prime Newcastle steam coal) whenever it was possible to get it, but also the enormous heights which the prices have reached on account of the rising freights in spite of all regulations:

Date	F. O. B. price per ton at 1,016 kilograms	Selling price per ton at 1,000 kilograms	Freights per ton
Jan. 1	Kr. 30.00	Kr. 89.00	Kr. 55.00
April 1	31.00	89.00	145.00
June 1	31.00	212.00	(May) 170.00
July 1	31.60 and $\frac{1}{3}$ of 5 % chartering com.	255.00	(June) 210.00
October 15	34.15 and $\frac{1}{3}$ of 5 % chartering com.	164.00	(July) 110.00 (October) 110.00

During the period from February to April, 1917, the import was stopped on account of the blockade, and sale of stocks took place at the prices paid before the blockade. The freight rate of Kr. 110 has been fixed by the Government in connection with a reduction of the war insurance premiums and is payable

in advance at the time of loading, so that the insurance on freight is to be paid by the charterer.

A British parliamentary White-book gives some figures of goods imported to Denmark, Norway, Sweden and Holland in 1917 from other countries than those of the Central Powers compared with the corresponding figures from 1911—13 (in thousands of tons):

	1911—13 (Average)	1917
Grain, flour etc.	9347	1768
Other articles of food	887	246
Coffee	192	47
Cotton and cotton-goods	167	59
Wool and woollen goods	50	16
Iron and steel	2653	182
Other metals	266	20
Fertilizers	1304	205
Other commodities	1770	546
Total	16.636	3089

Thus as a whole only 18 percent of the normal imports have reached the said neutral countries.

A striking picture of the effects of the blockade on quite neutral countries!!

To fairly describe the present situation it must be said that many factories and other concerns will eventually be compelled to cease operation, not for want of markets, but for lack of the necessary coal and raw materials. The railways have had to reduce their schedules to a minimum for want of coal. The population, in spite of the abundance of money and the willingness to pay, cannot get absolutely necessary articles. The necessary fuel is lacking, lighting is limited, and the country is rationed with regard to important provi-

sions such as bread, butter, etc., quite an inconceivable condition in an agricultural country like Denmark, living in peace with other countries and only wishing to continue in peace.

The present conditions may be illustrated by the following examples:

Before the war the yearly home consumption of butter was about 20,000,000 kilos, of margarine about 50,000,000 kilos, and of lard about 7,000,000 — in all about 30 kilos annually per individual. By rationing, this has been reduced to about 13 kilos per individual, or one-fourth kilos a week.

Previously, the yearly consumption of petroleum for lighting was 80,000,000 kilos. Last winter the initial supply was 7,000,000 kilos, with no prospect of getting more.

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Besides, the closing of the factories and other concerns has caused a degree of unemployment never known before in our country.

Want Of
Employ-
ment.

At the end of January, 1918, this want of employment reached formerly inconceivable dimensions. Only a rather insufficient idea of the enormous growth of unemployment is gained by considering some figures from the government offices. At the end of 1916, there were 6,612 idle workmen in the whole country; at the end of November, 1917, the number had grown to 25,786; at the end of December, 1917, to 39,355; and on January 18, 1918, to 46,410. At the end of March, 1918, the number was reduced to about 40,000. It has since undergone a further small reduction.

While the attitude of the organized labourers, headed by the old socialistic leaders, has been very praiseworthy under these trying circumstances, it was not unexpected that the syndicalists, though only few in numbers, should try to take advantage of the situation, both by discrediting the socialistic trade-unions and by public demonstrations. The movement resulted in failure, however, partly because the Government, the Parliament, the local boards, and all the political parties have always done their utmost to meet the difficulties caused by the scarcity of foodstuffs and the want of employment, and partly because the unreasonable claims on the part of the syndicalists met with disapproval by the larger and more reasonable part of the working classes. The population has looked on with the usual Danish calm, and the leaders of the syndicalists, who were said to have conceived the plan of creating a revolt at the end of January, 1918, for the purpose of „providing for yourself“, have had to abandon any such project, being convinced that such a plan would not meet with any great sympathy and that the attempt would prove a total failure. The proclaimed revolt resulted in a harmless procession. Later, on Shrove Monday, a demonstration against the stock-exchange resulted only in some broken window panes and the imprisonment of a number of the rioters.

The Government, Parliament, and local boards have done everything possible to overcome high prices by price regulations and supporting measures, and to reduce unemployment. Shortly after the outbreak of the war, a committee of men from different

trades and from all political parties was appointed for the purpose of regulating the prices of different goods and their distribution. This committee has made a praiseworthy attempt to overcome the scarcity by the rationing of the necessities of life. To meet the scarcity the Government and local boards have paid enormous sums of money, which have been procured through a very large increase of taxes, especially on excess war profits, and in a similar manner the other extraordinary public expenses caused by the war have partly been covered.

The unemployment is partly relieved by direct money allowances from the state and the municipalities to the unemployed, and partly by attempts on the part of the state, the municipalities, and private persons to diminish the number of unemployed by the starting of large works as far as import difficulties permit. The necessary funds are procured through banks, which have been officially invited to invest one-third of their available cash balances in loans for these purposes.

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The blockade from the west, coupled with a similar blockade from the south, from Germany, has necessarily forced Denmark to embark on the system of compensation already described.

Newspaper men or politicians in Allied countries have often drawn attention to the exports from Denmark to Germany of Danish goods and products, and expressed the opinion that Denmark has thereby given a hidden or unjust preference to the German

conduct of war or to Germany on the whole. Nothing can be more erroneous. It has already been shown how our export to Germany at the beginning of the war was partly a mere continuation and a natural extension of Danish commerce with Germany before the war, and partly, with the full knowledge of the Western Powers, a re-exportation of goods coming to Denmark from the west. The trade with Germany has by no means diminished our export to the western countries, especially to England.

In the later stages of the war, Danish exports to Germany have at all times been guided by the desire to obtain in exchange certain goods and raw materials which were absolutely necessary for the prosperity of the country. Some of these, such as medicines, dye-stuffs, etc., were obtainable from Germany alone, others because they were manufactured there only, or because such articles as coal, petrol, benzine, metal-ware, and electrical equipment could not be obtained in sufficient quantities from the western countries, on account of shipping difficulties, or because the Western Powers, and England in particular, needed the greater part of what they produced for home consumption.

Compensa- Danish industry had therefore to go to Germany
 ting Ex- for such goods. But Germany, who was also in dire
 change Of need of many things, adopted the policy of permitting
 Goods. exports of goods to Denmark only in exchange for
 other goods of which they were in need. This gave
 rise to the compensating exchange of goods with Ger-
 many. It is still impossible to give details as to the
 working of this system, but as soon as they are at
 hand it will surely be seen that the whole system of

compensation has been of greater advantage to Denmark, and thereby also to the Allied countries, than to Germany, and that Denmark has not supplied Germany with goods which could have influenced the German conduct of the war or its duration. It can now be said with certainty that Denmark has not supplied Germany with anything to provoke the destruction of war, particularly not with arms, munitions of war, or materials for the manufacturing of such articles.

Denmark has met with much annoyance from both belligerents — not to any advantage during the war, only to great trouble and inconvenience to the population so long as these policies continue. But fortunately this does not affect Denmark's economic position as a whole. This can easily be seen by comparing Denmark's present position with her position before the war.

In this connection the following statistics are of interest:	Comparison Of Denmark's Economic Position In 1914 And At Present.
On March 31, 1914, the deposits in the savings-banks of the country amounted to about 838 million kroner. On March 31, 1917, this amount had risen to about 1113½ million kroner. By the end of 1913 the deposits in the banks of the country amounted to about 906 million kroner. By the end of 1916 this amount had risen to about 2019 million kroner.	

The whole of this difference is, however, far from being war profits. A very large part of it is due to the sale of live-stock, etc., thus turning them into cash, which is a consequence of the limited supplies from abroad, and to the funds released by the closing of many business and industrial establishments. But the

few figures show a proportionate financial strength which, if Denmark succeeds in her earnest desire to keep out of the war, will give her great advantage in the commercial competition when once more the nations enter such peaceful strife. And this will be true, even if the war should last for several years, because money will have no opportunity of leaving the country. The people may suffer much inconvenience, heavy taxes may have to be met, capital may change hands, but the money will stay at home, as we are blockaded from all sides and shall not be able to buy more than we have to sell and export. And, though, deprived of luxuries and rationed as to the necessities of life, we shall be able to sustain life as we have done up to now, without — as the only neutral country in Europe — having any hunger revolts for want of food.

The hope of a bright future is not derived alone from the actual economic strength. The fertility of the soil, the old culture both of soil and mind, and the energy, intelligence, and economy of the people, promise Denmark a good start in after-war competition toward a fair share of the progress in store for the world.

However, it must not be forgotten that Denmark's production has been seriously curtailed by the blockade of foodstuffs from England and America, on account of which a great part of the producing live-stock of cattle and pigs had to be slaughtered — to the great delight of Germany. This unfortunate restriction will of course make the progress of Denmark slower than otherwise and will contribute toward keeping agricultural products at a high price. But notwithstanding this fact, it will only be a question

of some years more, and even if the great economic progress all over the world should be slow in coming, contrary to our expectations, still Denmark will not decline, but will be able through a series of dull years to keep her energy and strength alive so as to enter the general competition with strong and full vigor as one of the first nations when the progress comes. The Government, as well as the institutions, banks, and banking firms through whom money transactions are generally effected, will be able to meet all obligations as hitherto, in good and evil years.



In this connection it should be pointed out that Denmark's the Danish state has always paid its debt to foreign Fulfilment countries to the last penny, and it is impossible to Of Obliga- show a single case where this is not so. There were tions To instances, during the time of absolutism, when the Foreign State did not fulfil its obligations, but these failures Countries. hit only inland creditors and date from one hundred years, most of them from two hundred years, back, and were always due to the conception prevalent all over Europe in those days of absolute autocracy — when the State did not always watch the exact fulfilment of its obligations towards its subjects — that the property of the subjects belonged to the King after all. But at that time Denmark was far from being the only country that failed to meet her obligations. Are there many wealthy countries in Europe where at that time, and even later than in Denmark, such failures can not be proved? In America the Louisiana repudiation is not yet forgotten.

It must be admitted that there have also been times in Denmark when the note-issuing banks failed to meet their obligations to redeem their notes. But the last of these cases dates more than one hundred years back and does not affect the ability and will of Denmark to fulfil her obligations toward foreign countries. It is a fact, as stated above, that Denmark has always paid her debts to foreign countries, and this applies not only to the Government, but also to banks, bankers, municipalities, credit-associations, and similar institutions.

The Future And this should be a good omen of the future to develop out of the mist and clouds of the war.

But how will this future be? And to what degree will Denmark's prosperity depend on its character? Nobody can foretell the future, but this much can be said: a great deal will depend on the solution of two great questions, the economic war after the war and the resumption of specie payments.

Economic War. Will there be an economic war? To a certain extent, there will undoubtedly. The war has created such strong animosities that it is out of the question that subjects and citizens of the different groups should at once meet again on friendly terms. Both sides will favour their friends and shun their former foes, and every endeavour will be made to keep trade within the borders of old alliances and to avoid trading with former enemies, and sympathies of this kind will go a long way to fix the directions of trade.

On the other hand, we must confess from an outsider's standpoint that we do not believe in governmental or legislative action for economic war. On one side it seems beyond doubt that peace, when it

comes, will be meant to be a real peace which will bring the nations together and not keep them apart, or cultivate the ill-feelings which prevail during the war. This aim will not be attained if treaties or laws are made which attempt to prevent peaceful intercourse. Further, it is an old truth that commerce profits both parties, and it is not likely that any party will cut herself or her citizens off from advantages which might be derived from proper and lawful trade, only to deprive the citizens of the party of a corresponding benefit.

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Be this as it may, it is certain that the situation will call for neutrals. Both parties will wish to trade with neutrals, because the trade with the other party will meet with many difficulties, and after the war everybody will wish to have somebody to trade with. Both parties will even call upon the intermediary of neutrals if trade with the other party is to be taken up, in order to smooth out the difficulties and inconveniences which a direct and immediate intercourse might bring forth. Placed as she is, on the highway between the Atlantic and the Baltic, Denmark will be in a very good position to step in and take her part of the coming commerce.

And of course Denmark will step in and do her utmost to turn the greatest possible amount of trade her way, thus serving both sides and increasing her own profits. Neither party can object to this, provided that it is done openly and to the knowledge of those who sell as well as of those who purchase. In this respect, Denmark is decided to act with full

loyalty and to do her best to put all the cards on the table. Of course there is the danger that foreigners may use the Danish colors to cover their nationality, but the Danish authorities have done all that was possible to keep such impostors away.

Denmark According to a law of 1857, it is permitted only
 Acts to natives, or to foreigners having resided in Den-
 Openly. mark more than five years, to carry on business as
 individuals or members of unlimited partnerships;
 and now an act of 1917 has ruled definitely on the
 admission of foreigners to limited companies. This
 act provides that only Danes by birth or naturaliza-
 tion, or foreigners having resided in Denmark more
 than five years, may take part in the foundation of
 Danish limited companies.

The majority of the members of the board must consist of natives or residents for more than five years, and all members of the board must comply with this condition if the name of the company is to imply a Danish place or Danish nationality. Managers of limited companies must reside in Denmark and be natives or have resided here for more than two years.

Foreign joint-stock companies may have branches in this country, when Danish joint-stock companies enjoy a corresponding right in the respective foreign countries, with the proviso, however, that the branch in this country shall have the words „foreign joint-stock company“ added to its name, besides indicating the native country of the company.

It will be seen that within this important domain, which comprises, so to speak, the banking and shipping trade of all Denmark and a great part of her

commerce and industry, very serious plans have already been laid to prevent Denmark from being made an intermediary for business connections in foreign interests, or to prevent, at least, the use of Denmark secretly in this capacity. Corresponding arrangements will be made within many other provinces as occasion arises, for nothing will be done in this country which cannot be laid open to everybody who has a right to know.

We feel confident that this clear and open policy will be appreciated, and that it will be understood that, when our banking, import, production, and export after the war will prosper even more than before and rise to very considerable figures, this will be no sign of any concealed activity exercised by others or in the interest of others, but solely the result of the altered and stronger position which Denmark will enjoy in the Allied countries on account of their aversion to a connection with the countries of the Central Powers — and probably also in the latter countries, as their populations, supported by their Governments, will try by all means to take retaliatory steps by avoiding as far as possible any connection with the Allied countries.

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The second great question which will have to be solved after the war is the question of gold. Will the gold standard be revived, or will it be abolished forever? Gold Or Paper.

It is an old maxim that scarcity of money will always result in inactivity, cheap prices, and stagna-

tion of commerce and production, while abundance of money will have just the opposite effects. During this world war, money has been abundant in all countries without exception. The heavier the expenses were, the greater the consumption and destruction of values were, the more money abounded and prices rose in all countries. Why? Simply because money was wanted for the purpose of war, and as it was not possible to create a sufficient circulation based on gold, circulation was created without any relation to the stocks of gold, and though all countries pretend to have a gold standard and propose to maintain it, they have nearly all practically abolished it and replaced it with paper; i. e. credit.

For many years the gold standard was the panacea of the financial world. The convertibility of bank-notes was the key-stone on which their credit hung. Shipments of gold from one country to another, combined with tightening rates of discount, first in the importing country and afterwards in the market whose vaults might fear depletion, were certain to control and smooth out all differences in the balance of trade. The system had worked well for decades of peace and quiet — not much to its credit, for of course it was bound to prove adequate under such circumstances, but giving it such credit that it was presumed that even in the greatest emergencies it would be equal to the task.

But one of the first war measures of neutral nations, as well as of all belligerents, was to deprive the gold of its usual functions. The convertibility of notes was suspended everywhere, in so many words or by circumventing practices, and shipments of

gold from country to country were more or less strictly prohibited, lest gold should be drawn away and lost and even come to the rescue of the other party. And so it has remained up till the present. Nowhere is the free convertibility of notes practiced, everywhere the government lays its hand on the country's stock of gold.

What have been the results? Everywhere the printing press has worked to supply the increased quantities of circulation which the war and the needs of nations have required. Everywhere the governments have tried their utmost even to collect the gold from the people's pockets, and nowhere has the break come. The notes of all nations — Russia, of course, excepted — have the same credit in internal use as before the war. And still not only have these notes lost their convertibility, but the outstanding notes — bank or state-notes — have increased to an extent which before the war was quite outside the bounds of fancy. Just to give a figure it may be mentioned that an English statistical report comprising the countries of Europe — Austria, Belgium, Portugal, Roumania, Serbia, and Turkey excepted — gives the amount of outstanding notes in June 1914 at £ 754,000,000, and in October 1917 at £ 3,771,000,000, the corresponding stock of gold only increasing from £ 529,000,000 to £ 743,000,000. This is the equivalent of saying that the amount of unsecured notes in October 1917 had increased to twelve times the amount in June 1914. Nevertheless the notes have retained their face value and credit.

How will the question of the gold standard be arranged after the war? One thing is certain, that it will

be impossible to return to the former policy at once. Neither the states which have issued notes nor the banks of issue can at once make their notes convertible at will. Such a step would compel not only a severe restriction of credit, but a complete arrest of it, and even so it would be impossible to redeem all the notes that would be presented, as it would be impossible both for banks and governments to collect the money required. If no credit was granted, existing debts could not be met and taxes could not be paid. Further, it must be remembered that the expenses of the governments will be very heavy after the war. Demobilization will require large amounts, pensions for invalids and widows and children will be a heavy burden, interest on war loans will be enormous, indemnities and the work of reconstruction will press for liberal appropriations, and all the money is to come from the industry of the taxpayer, which consequently must be conserved by all means.

On the other hand it must be admitted that for international trade the gold might still be of use in so far as it might stabilize the foreign exchanges. It is, of course, to the benefit of neither nation when the English pound sells for 15 Danish kroner, or thereabout, instead of 18 kroner. But even here the root of the evil might be eradicated if exports of goods were free. With unrestrained trade it should prove impossible to maintain for any considerable length of time a real inequality in the exchanges because either England would export enough to wipe out the difference, or, if Denmark could not buy all she wished, she would have to lend her free balance to England in order to get better remuneration.

The great question will be how the governments are to meet their internal obligations, and the solutions are three-fold. They may repudiate them, they may keep them, or they may pay them off at once. The last course is at once seen to be impossible, for where are the means for paying off such enormous amounts? The first is no more likely. The great aim of states, which must have taxes to exist, must be to conserve credit, by which alone the production which is to procure the taxes may thrive. But how would it be with the credit when the government would repudiate their obligations? And the House of Commons, which two hundred years ago so high-mindedly resolved that those who confided in the House should never be losers? Would the House go back on its signature? In whom, then, could confidence be placed. Who might expect to enjoy any credit? Not in England alone, but in every single country, Parliament and government have called upon the people to confide to them their money — their savings or the money that they might raise on their personal credit. Everywhere it has been pointed out that it was a patriotic duty to assist the country with all available money, but nowhere have the exhortations kept within the limits of patriotism. Everywhere it has been said that the loans to the country were at the same time the most safe investment, as the credit of the country was far and above all other credit. And the call has been responded to, not only by the small class of wealthy people, but even by those with small purses, and those in the humblest stations, the many, have contributed and are now creditors of the state. It would not only be highly immoral, but political

Will The
Govern-
ments Pay
Their
Debts?

suicide for any responsible statesman to propose that the state should not meet its obligations, that those who had assisted the country in time of need should be robbed of their money. Only Bolsheviki might provisionally try such a course.

There remains only one solution. Every country must fulfil its obligations. Most of the debts of war must be put in the same shape. Governments will then only have to meet interest and to provide for a modest sinking fund, and this will not be impossible. During the war, the value of money has decreased all over the world. A shilling, a dollar, or a Danish krone does not buy so much to-day as three or four years ago. Of course this might be reversed, as it is impossible to endow any commodity with an intrinsic value or to predict its value in time to come. Values will always be fixed by the human mind and by demand. But just because of this nature of values it may be safe to say one thing. Wages must be calculated in such a way as to give the earner a modest living. Wages have risen during the war and certainly will not be permitted to go back. All labour parties will look to that. But the wages of unskilled labourers will never pay for more than the necessities of life, and at the same time as higher wages command higher prices, the said higher wages permit higher prices, and it may then safely be said that with the standard of wages the standard of prices has risen permanently, and that money has depreciated to the same extent.

Taxation But this will make it possible to collect taxes to a
After The far greater amount than before the war. Before the
War. war a tax of one pound might perhaps mean the equi-

valent of a pair of shoes. Now the taxpayer will have to pay 30 sh. or even two pounds before he is deprived of the value of a pair of shoes. With the higher prices — and certainly they will continue if not regulated by the states — commerce and production will prosper and increase and also permit the government to tax more heavily. Without any under-estimation of future claims to the states, it may be supposed that the credit and industry of the people will be able to bear the burdens of taxation. With higher prices, gross profits will increase. Of course expenses will also increase, but even if they increase proportionately to the turnover, the net profits will be larger, and it may be supposed that the increase of expenses will proportionately be below the increase of the turn-over. If the products of a farm were sold at £ 1000 a year before the war, they will now perhaps be worth £ 3000. If the expenses were £ 800 before the war the net profit would be £ 200. If expenses were four-fifths now, the farmer's net revenue would still have to be increased to £ 600, but it may be expected that expenses will only increase to £ 1800 or £ 2000, thus leaving in the farmer's pocket £ 1000 or five times the pre-war earnings and thus enabling him to pay many doubled taxes much more easily than he could pay his taxes before the war.

The history of finance has made a great step forward, but even the ordinary events we witness in this the greatest war of all ages will not bring forth a revolution; the progress will no doubt continue.

From what has been stated above it may be gathered that the question of gold — always barring unforeseen accidents — does not touch Denmark directly,

as she is fairly well prepared to reintroduce the standard of gold for her own bank-notes and foreign credits. But, of course, the situation in other countries will reflect upon her, and the hopes for the future to which her present position gives credit can only be fulfilled if prosperity is universal or at least prevails in most countries. But if this should be so, and the trend of events seems to point that way, Denmark will be well equipped and prepared to take her fair share of economic progress, and even her geographical position, which has so often proved dangerous, will give her substantial advantages in commerce after the war.

Russia. Russia is the great enigma of our times, — nobody can fortell her fate. But it is certain that her population is enormous and that her industrial capacity is as yet undeveloped. It is equally certain that some day her people will call for internal peace in order to foster economic and material progress and it is further certain that for this progress all available assistance from other nations will be needed. The Germans, being near at hand, will, of course, seize upon the commerce of Russia to the utmost of their power, but the Western Powers and the United States of America will make similar efforts to secure at least a fair share of the trade. For these last mentioned nations Denmark will offer a first rate base for distribution. Its capital Copenhagen, and especially its Free-Port will be the natural clearing-house for this trade. Situated where the great waterways end and are replaced by more shallow waters, easily accessible at all hours of the day or night because without tide water, well fitted for loading and unloading, Copen-

hagen with her industrious and intelligent population will be of the greatest value to all oversea trade with Russia. Competing with the enterprises of foreigners, Danish industry will have great chances of getting access to the Russian markets. Danes are well liked in Russia; their modest, inoffensive conduct makes them more congenial to the Russians than the Germans, and Danish produce has a good standing in Russia. Denmark's geographical position will give her a leading place in the trade with Russia and her fertile soil, her moderate climate, her high sanitary standing and her orderly administration, based on one of the most democratic constitutions in the world, with franchise for everybody, men and women, over 25 years of age, will make her an attractive place of residence and a convenient place for business to all persons of American, English or French nationality who wish to have a part of the trade with Russia.

Denmark has at present a Free-Port in Copenhagen, and taking into consideration the geographical position of the country and the disposition of the people, there is every reason to believe that the character of free-port after this war will be extended to the whole country in a personal as well as in a commercial respect to the common advantage of all concerned.

The Future
Denmark.



A/S Industri-Trykkeriet, København.

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